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DOS review(s) completed.

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SUMMARY

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3. American aid used as excuse to attack Indonesian Cabinet:

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Ambassador Cochran in Djakarta, in analyzing the cabinet crisis in Indonesia, emphasizes that general dissatisfaction with the government actually derives from an accumulation of domestic factors. The weak cabinet has failed materially to improve internal security and has frequently been attacked by various political parties aspiring for greater power. Political opposition, wishing to "tie a crisis" to some international problem, "by chance" seized on the Mutual Security aid issue.

Ambassador Cochran further states that during the furor created by recent discussions over Mutual Security aid, "not one official Indonesian voice was raised in behalf of friendship for the United States."

Comment: The cabinet crisis arose when it became known that Foreign Minister Subardjo had agreed on 7 January — with the approval of the Prime Minister but without the knowledge of the rest of the cabinet or Parliament — to accept American aid within the terms of the Mutual Security Act. Subardjo was accused of acting unilaterally to compromise Indonesia's position of neutrality in the East-West conflict.

President Sukarno, whose influence is the most important factor in Indonesian politics, has not yet stated his position in the controversy. He can intervene to prevent the early collapse of the cabinet.

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NEAR EAST - AFRICA

4. Iranian Senate fast losing patience with Mossadeq:

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The majority of the Iranian Senate has reached the limit of its patience with Mossadeq. Three Senate spokesmen have asserted to the American Ambassador that failure of the present talks with the International Bank would probably be followed by a Senate vote of no confidence in Mossadeq and a request that he resign.

One of the Senators stated his belief that public enthusiasm for Mossadeq was waning and maintained that, if it should become clear that the United States did not intend to aid Mossadeq, the Senate would unanimously vote him out of office immediately, regardless of the attitude adopted by the Shah.

Comment: Mossadeq, despite some suggestions to the contrary, has given no evidence of being ready to retire. His political success in the past suggests that he would be able to forestall Senate action, although the Senate does have the constitutional power to unseat him by a vote of no confidence.

5. International Bank representative's departure from Iran upsets British:

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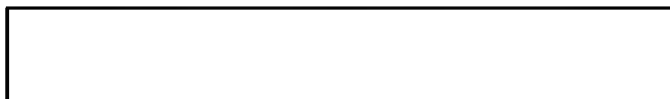


The British Foreign Office fears that the Iranian Senate's interest in an oil settlement might abate while International Bank Vice President Garner is in London and that upon his return negotiations might have to be resumed from the beginning.

The American Embassy in London pointed out to the Foreign Office that the Bank's representative, in order to convince the Iranians that he was not acting for Britain, must make a determined effort to negotiate with it.

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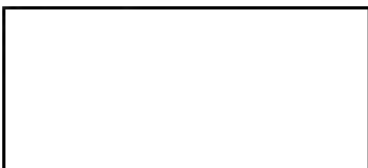


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Comment: The intervention of the Iranian Senate in an effort to keep negotiations going has aroused some hope that the International Bank might be able to find an interim solution for the oil problem. Any plan acceptable to Iran, however, would still have to be negotiated with Britain, and that country so far has given little indication that it is willing sufficiently to modify its demands.

6. Long illness of Saudi Arabian King arouses interest in royal successor:

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The continuing illness of King Ibn Saud, who occasionally lapses into a semi-comatose state, has aroused considerable speculation regarding future political developments in Saudi Arabia.

According to Ambassador Hare in Jidda, the King has already designated Crown Prince Saud as his successor. Unless the King reconsiders, Saud should succeed to the throne without undue difficulty despite rumored opposition to him. Hare believes, however, that Prince Saud's greatest test would come after his accession to power, for it would be difficult to control a political situation which has already been "cracking at the seams" under the "ultra-forceful rule" of the aging Ibn Saud.

Comment: There has been considerable speculation over the probable course of events in Saudi Arabia if Ibn Saud's death should be sudden. Internal tensions might increase as the Crown Prince attempted to consolidate his popular support. On the other hand, friction between the Saudi Arabian Government and the Arabian American Oil Company might diminish, since the younger Saud would probably attempt to strengthen relations between his country and the West, toward which he has exhibited considerable friendliness.

7. Farouk's adviser offers suggestions for Anglo-Egyptian settlement:

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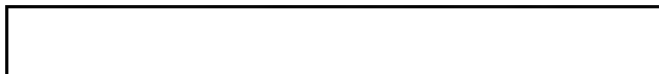


Amr Pasha, recently Egyptian Ambassador to London and now a political adviser to King Farouk, informed the American Ambassador in London that a reduction of the number of

British troops in the Canal zone to the figure specified in the 1936 treaty would give Egypt a boost in morale. This would enhance the possibility of gaining full cooperation from all the Arab States in the defense of the Middle East.

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He added that if Great Britain made the gesture of formally scheduling the departure of its remaining forces in the Suez Canal zone, the Egyptian Government would probably permit some British troops to remain until Egyptian replacements could be trained and equipped. He also stressed the importance of recognizing the symbolic tie between the crown of Egypt and the Sudan.

Amr Pasha warned that the continued impasse had enabled the Soviet Union to increase its propaganda activity in Cairo and that this had had a marked effect upon the simple Egyptian public. He added his belief that Prime Minister Ali Maher might not be able to continue in office if he did not soon show some success in solving this problem.

8. British considering concession on Sudan question:

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The American Embassy in London believes that Foreign Secretary Eden is still reluctant to recognize Farouk as King of the Sudan before the Sudanese are in a position to decide for themselves. The Foreign Office has suggested that the question be postponed until a Sudanese parliament is established and that meanwhile some high-ranking Egyptian go to the Sudan to discuss the matter.

The Foreign Office, noting that discussions between the British Ambassador in Cairo and the Prime Minister have not yet begun, believes that the latter is still drafting proposals for a settlement.

Comment: Eden is now believed to agree that some concessions must be made on the Sudan issue, but there is still no indication that he is willing to meet all of Egypt's demands.

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WESTERN EUROPE

10. Comment on possible Italian plea at Lisbon for emigration assistance:

At the Lisbon NATO conference Italy may ask again for prompt and coordinated measures to take care of its excess manpower. Failure by NATO members to help solve the population problem is likely to reduce Italian cooperation.

Italy is worried that NATO may emphasize military measures to the neglect of the over-all economic situation in Europe. It believes that NATO cannot fulfill its proposed rearmament program unless Italy's excess manpower is transferred to countries, such as Britain and France, that are handicapped by serious labor shortages.

Some ten percent of Italy's employable population of 19,000,000 are now unemployed. The Temporary Council Committee of NATO believes that at least 400,000, and preferably 500,000, should emigrate each year if that country is to achieve a balance between manpower and economic resources.

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